

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHWEST GAS CORPORATION
(U905G) for authority to: (1) issue one
or more types of debt securities in the
principal amount of up to \$500,000,000;
(2) refinance previously issued
short-term debt securities; (3) refinance
previously authorized securities under
the Evergreening Authority Guidelines;
and (4) enter into one or more interest
rate risk management contracts.

Application 19-01-012

**DECISION AUTHORIZING SOUTHWEST GAS CORPORATION
TO ISSUE NEW DEBT, REFINANCE OLD DEBT, AND ENTER
INTO RISK MANAGEMENT AGREEMENTS**

Table of Contents

Title	Pages
DECISION	1
AUTHORIZING SOUTHWEST GAS CORPORATION TO ISSUE NEW DEBT, REFINANCE OLD DEBT, AND ENTER INTO RISK MANAGEMENT AGREEMENTS	
1. Procedural Background	3
2. Request to Issue Debt	3
3. Summary of SGC's Requests in A.19-01-012	3
3.1. Requested Authorizations and Findings	3
3.2. Use of Proceeds	5
3.3. Types of Debt Securities	5
3.4. Debt Enhancements and Interest Rate Risk Management Contracts	8
3.5. Other Interest Rate Management Agreements (Caps, Floors and Collars)	10
3.6. Limitations and Conditions on SGC Debt Issuance	12
3.7. Fee	13
4. Discussion	13
4.1. Authority to Issue Debt Securities	13
4.1.1. Pub. Util. Code § 817	14
4.1.2. Pub. Util. Code § 701.5	15
4.2. Types of Debt Securities	15
4.3. Debt Enhancements, Swaps, and Hedges	16
4.3.1. Debt Securities	16
4.4. Other Regulatory Requirements	17
4.4.1. Financing Rule and GO 24-C	17
4.4.2. Commission's Evergreening Authority Guidelines	19
5. California Environmental Quality Act (CEQA)	19
6. Categorization and Need for Hearings	20

7. Waiver of Comment Period	20
8. Assignment of the Proceeding.....	20
Findings of Fact.....	20
Conclusions of Law	22
ORDER	23

**DECISION AUTHORIZING SOUTHWEST GAS CORPORATION
TO ISSUE NEW DEBT, REFINANCE OLD DEBT, AND ENTER
INTO RISK MANAGEMENT AGREEMENTS**

Summary

This decision grants Southwest Gas Corporation (SGC) authority pursuant to California Public Utilities Code Sections 817 and 1701.5, and Rules 2.1 et seq. and 3.5 of the Commission's Rules of Practice and Procedure, to do the following:

1. Issue Debt Securities in an aggregate principal amount not to exceed \$500,000,000;
2. Refinance existing previously issued short-term debt securities;
3. Arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the Debt Securities, and to modify such credit facilities;
4. Execute and deliver an indenture or supplemental indenture in connection with any issue of Debt Securities;
5. Issue and sell and deliver Debt Securities by public offering or private placement; and
6. Utilize in its discretion interest rate swaps, caps, floors, collars, and other tools to manage interest rate risk associated with the issuance of Debt Securities.

SGC may use the proceeds from the Debt Securities authorized by this decision to finance its capital expenditures, refinance its maturing short-term debt, and refinance other debt previously issued under its Evergreen Financing authority.

These authorized uses will help SGC fulfill its obligation under California Public Utilities Code Section 451 to "furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities...as are necessary to promote the safety, health, comfort, and

convenience of its patrons, employees, and the public.” The cost of the Debt Securities will depend on market conditions when the securities are issued.

This proceeding is closed.

1. Procedural Background

Southwest Gas Corporation (SGC) is a public utility company subject to the Commission’s authority and jurisdiction. SGC filed Application (A.) 19-01-012 on January 31, 2019, together with a check in the amount of \$28,254.89, representing SGC’s calculation of fees due to the Commission pursuant to California Public Utilities (Pub. Util.) Code § 1904(b).

On February 5, 2019, notice of the application appeared in the Commission’s Daily Calendar. On March 1, 2018, Resolution ALJ 176-3433 preliminarily categorized A.19-01-012 as a ratesetting proceeding and preliminarily determined that hearings are necessary. There were no protests or responses to the application.

2. Request to Issue Debt

In its application, SGC requests authority to issue \$500,000,000 of new Debt Securities. In support of its request, SGC provided information regarding its intended uses of the net proceeds from the requested new debt.

3. Summary of SGC’s Requests in A.19-01-012

3.1. Requested Authorizations and Findings

SGC requests that the Commission issue an order pursuant to Pub. Util. Code §§ 817 and 701.5 authorizing SGC to do the following:

1. Issue or obtain debt capital in an aggregate amount not to exceed \$500,000,000, through the direct issuance of one or more types of indebtedness, including, without limitation, debentures, bonds, notes, bank loans, capital leases, accounts-receivable financings, other evidences of

- indebtedness which may include, without limitation, commercial paper programs, extendible commercial notes, private placement, bankers' acceptances, and other short-term variable-rate instruments which are or may become available in the capital markets of indirectly through one or more governmental agencies;
2. Determine the precise amount and timing of each debt financing, the market in and method by which each is issued, the principal amounts and maturities and, if any, their terms of redemption, repurchase security, other security, sinking fund requirements, subordination and conversion provisions, rights, warrants, and the other terms and provisions, and the price and interest rate (which may be fixed, adjustable, variable, or set by auction, remarketing, or other ratesetting procedures) of the borrowings and of any securities related thereto, or issuable in connection therewith in the manner set forth in the Application;
 3. Use the proceeds for the purposes delineated in Pub. Util. Code § 817, including the reimbursement of its Treasury for monies actually expended from income, or from any other money in its Treasury not secured by or obtained from the issue of stock or stock certificates or other evidence of interest or ownership or bonds or notes or other evidence of indebtedness, for expansion and betterment of its facilities, excluding maintenance of service and replacements;
 4. Renew, refund or replace its existing short-term debt;
 5. Continue its authority to use debt enhancements and enter into interest rate risk management contracts, subject to the restrictions and limitations set forth in the Financing Rule;
 6. Refinance previously authorized securities at maturity, upon mandatory redemptions, upon repurchase for mandatory sinking fund requirements, or upon optional refinancing to reduce financing costs under the Commission's Evergreening Authority Guidelines, with

such authority to expire December 31, 2022, unless renewed prior to that date; and

7. Pursuant to Pub. Util. Code § 701.5, to use a subsidiary or affiliate to issue debt securities and to unconditionally guarantee or otherwise secure such issuance, provided the proceeds from such issuance are used by SGC to support its utility operations or services.

SGC further requests that the authority granted by this decision be effective at the earliest date permitted by law and remain effective until the financing authority is fully utilized.

3.2. Use of Proceeds

SGC requests authority to use the proceeds from the sale of the Debt Securities for the following purposes: (i) acquire property; (ii) construct, complete, improve or extend its facilities; (iii) refund maturing debt; (iv) fund payments or redemption requirements of debt (including any premiums required in connection therewith); (v) retire (through defeasance or otherwise), refinance or exchange existing short- and long-term debt (including any premiums required in connection therewith; and/or (vi) reimburse its Treasury for monies actually expended from income or from any other money in its Treasury not secured by or obtained from the issuance of stocks or stock certificates or other interest or evidence of ownership, or bonds, notes, or other evidence of indebtedness for expansion and betterment of its facilities. The amounts so reimbursed will become a part of SGC's general Treasury funds.

3.3. Types of Debt Securities

SGC requests authority to issue one or more series of Debt Securities, with the type of Debt Security, principal amount, terms and conditions of each issuance to be determined by SGC based on market conditions at the time of sale and issuance. The requested Debt Securities may bear a fixed, floating or

variable rate of interest; may be issued at par or with an original issue discount or premium; and may have maturities of up to 40 years. SGC requests authority to sell Debt Securities by public offering or private placement. If by public offering, the Debt Securities may be registered with the Securities and Exchange Commission and listed on a stock exchange. SGC also seeks authority to issue Debt Securities itself or through an affiliate that will, in turn, lend or otherwise transfer the proceeds to, or for the benefit of, SGC.

The specific types of Debt Securities for which SGC requests authority to issue are identified below.

A. Bonds or Debentures

Debt Securities may be offered and sold either domestically or in foreign markets, publicly or privately, and may have fixed or variable rates of interest (including interest rates based upon market indices or interest rates set by auction or remarketing or other ratesetting procedures) and may be issued in secured, unsecured, senior, or subordinate form. Such securities will be generally issued in accordance with an indenture, purchase agreement or other document that would set forth the aggregate principal amount, interest rate or rates, sinking fund payments, maturities, default and other material provisions, and may provide for the conversion into, or the issuance of, warrants or rights with respect to preferred securities or common stock to the extent authorized.

B. Notes

SGC may issue notes which may be offered on a continuous or discrete basis, and may be secured or unsecured, convertible or with warrants or rights with respect to any debt or equity securities previously authorized or authorized to be issued hereunder, with maturities generally ranging from nine months to 15

years, although maturities of up to 40 years or greater are possible. Such notes may be sold in public or private transactions, domestically or in foreign markets, with fixed or floating rates, in series or subordinate form, and are generally sold on a best-efforts or agency basis with maturities tailored to an investor's specific maturity requirements, but may not be sold in a fully-purchased transaction.

C. Capital Leases and Accounts Receivable Financing

SGC may issue debt obligations secured through capital leases or accounts receivable financings. Accounts receivable financings would be accomplished by a pledge, sale, or assignment of the Company's accounts receivable. SGC anticipates that such transactions would be accounted for as a true sale for bankruptcy purpose, a sale for financial reporting purposes and debt for tax purposes although other structures may be developed using accounts receivable as security or collateral.

D. Loans and Private Placement Indebtedness

From time to time this may be advantageous for SGC to borrow directly from banks (bank loans), or through direct loans from insurance companies or other financial institutions by private placement of notes or other forms of indebtedness. SGC may use borrowings of this nature in order to obtain funds at competitive rates and attractive terms and increase its financial flexibility. Loans and indebtedness incurred in the private placement market may have a delayed drawdown feature, fixed or variable rates of interest (including interest rates based upon market indices or interest rates set by auction or remarketing or other rate setting procedures), and may be issued in secured or unsecured, senior, or subordinate form. Loans and indebtedness will generally be issued in accordance with an indenture, credit agreement, loan agreement,

noteholders agreement, purchase agreement, or other borrowing documents that would set forth the aggregate principal amount, interest rate or rates, sinking fund payments, maturities, extensions of maturities, events of default, covenants, and other material provisions.

E. Other Floating Rate Debt

The types of other floating rate debt include, but are not limited to, bankers' acceptances, commercial paper programs, extendible commercial notes, and other short-term variable-rate instruments which are or may become available in the capital markets.

3.4. Debt Enhancements and Interest Rate Risk Management Contracts

SGC requests authority to include certain debt enhancement features in its debt securities or to enter interest rate risk management contracts. Such features and contracts could take a number of forms including put options, call options, sinking funds, delayed drawdowns, credit enhancement arrangements, interest rate swap agreements, interest rate cap agreements, interest rate floor agreements, interest rate collar agreements, and special-purpose entity transactions. Such arrangements could also include hedging future fixed-rate debt issuances such as Treasury locks, Treasury caps, Treasury collar agreements, forward starting interest rate swaps and forward starting swaptions. SGC is also requesting that such authority not be considered as additional debt for purposes of calculating the amount of authorization used, since the use of such authority would not increase the amount of the underlying or related securities issued or to be issued.

The types of debt enhancements and contracts used for managing interest rate risk associated with outstanding debt are generally described as follows:

A. Put and Call Options

Put and call options will permit either the debt security owners or SGC to/repurchase all or a portion of the debt obligation as a result of changes in interest rates.

B. Credit Enhancements

Credit enhancements may include letters of credit, standby bond purchase agreements, surety bonds, insurance policies, or other credit-support arrangements.

C. Sinking Funds

A sinking fund is a security provision which specifies the pattern of redemptions where the principal will be repaid in some way other than a single lump sum at maturity. Typically, sinking fund redemptions can be completed by repurchasing securities in the market or calling a certain amount at par. Some investors prefer investing in preferred securities and bonds that including a sinking fund provision because it reduces the firm's credit risk. As a result, the inclusion of a sinking fund provision may provide opportunities to reduce the overall cost.

D. Delayed Drawdowns

A delayed drawdown feather allows for entering a long-term loan or issuing debt securities where the full principal amount is not borrowed immediately but drawn down in either one disbursement or a series of disbursements over a period of time.

E. Interest Rate Swap Agreements

Interest rate swap agreements involve the exchange of a series of interest rate payments between two parties based on a notional amount for a specific period. In such an exchange, one party may convert fixed interest rate payments into more favorable fixed or floating-rate payments, or convert floating-rate payments tied to one

index into floating-rate payments tied to another index or into more favorable fixed-rate payments.

F. Special-Purpose Entity Arrangements

Consistent with Pub. Util. Code § 701.5, special-purpose entity transactions would involve the use of a subsidiary or affiliate of SGC to issue debt securities and commit the proceeds from such issuance to SGC. The securities may be guaranteed by SGC, with such guarantees applying to any accrued or unpaid distributions, the redemption price and any repurchase obligations, as well as the liquidation preference. The proceeds of the issuance by such entities would be lent to SGC through the issuance of debt securities featuring terms and conditions specified at the time of issuance. Similar transactions were first approved for use by SGC in Decision (D.) 95-08-048.

**3.5. Other Interest Rate Management
Agreements (Caps, Floors and Collars)**

SGC seeks authority to enter into various financial instruments that hedge the risk associated with interest and dividend rate volatility. Such hedges include caps, floors, and collars.

An interest rate cap is akin to an option whereby the holder of the variable-rate debt pays a premium in order to gain protection from interest rates rising above the rate specified in the agreement for the term of the cap. An interest rate floor is akin to an option whereby the holder of such debt receives a premium and in exchange agrees to pay a maximum rate should a specified interest rate index fall below the minimum rate during the term of the floor. An interest rate collar is any combination of an interest rate cap and floor.

The types of caps, floors and collars generally used to hedge the risk of future fixed-rate debt issuances are generally described as follows:

A. Treasury Lock Agreements

Treasury lock agreements are used to “lock in” the forward rate of a specified Treasury or other security on which a fixed-rate debt issuance will be priced at a specific date in the future.

B. Treasury Cap Agreements

Treasury cap agreements are used to “lock in” a range of forward rates of a specified Treasury or other security on which a fixed-rate debt issuance will be priced at a specified date in the future.

C. Treasury Collar Agreements

Treasury collar agreements are used to “lock in” a range of forward rates of a specified Treasury or other security on which a fixed-rate debt issuance will be priced at a specified date in the future.

D. Forward Starting Interest Rate Swap Agreements

A forward starting interest rate swap is an interest rate swap agreement that begins on a specified forward date on or near the date of the planned debt issuance.

Forward starting interest rate swap agreements are used to “lock in” the forward swap fixed rate, which is composed of the forward rate on a Treasury security of a maturity matching the planned debt issuance plus a swap spread. The forward starting swap agreement is terminated on or before the start date of the interest rate swap. If the forward swap fixed rate increases during the hedge period, then the hedge will result in a gain that will be amortized over the life of the new debt and thereby offset the increase in the interest rate for the new debt issuance. If the forward swap fixed rate decreases during the hedge period, the new debt would be issued at the lower prevailing interest rate and the loss from the hedge would be amortized over the life of the new debt as an issuance cost.

E. Forward Starting Swaption Agreements

A forward starting swaption agreement gives the right to enter a forward starting interest rate swap agreement at a specified swap fixed rate during a specified period of time. The purchase of a swaption agreement requires an upfront premium payment. If the forward swap fixed rate increases during the hedge period, then the swaption can be exercised and the resulting gain, net of the upfront swaption premium, will be amortized over the life of the new debt and thereby offset the increase in the interest rate on the new debt issued. If the forward swap rate decreases during the hedge period, the swaption would not be exercised and the debt would be issued at the lower prevailing interest rate and the upfront premium would be amortized over the life of the new debt as an issuance cost.

3.6. Limitations and Conditions on SGC Debt Issuance

SGC's request for authority to employ debt enhancements and interest rate management transactions is subject to the uniform limitations and conditions established for utilities by the Commission's Financing Rule.¹ In addition, SGC's variable-rate exposure (unhedged variable-rate debt and fixed-to floating rate risk management contracts) is specifically limited by D.01-04-054 (as amended by D.02-04-072) to not more than 35% of its total debt outstanding. "Total debt outstanding" includes all fixed-rate and variable-rate debt instruments issued by SGC but does not include any short-term financing (debt that will mature within one year of its date of issuance) issued by SGC.

3.7. Fee

SGC has paid a fee of \$28,254.89 to the Commission calculated as follows:

Total Authorized Debt Issuance	\$500,000,000
California Related Portion	\$44,510,000
Fee:	
1 st Million @ \$2.00/\$1,000	\$2,000
Next \$9 Million @ \$1.00/\$1,000	\$9,000
Next \$38,102,000 @ \$0.50/\$1,000	\$17,254.89
Total	\$28,254.89

4. Discussion

4.1. Authority to Issue Debt Securities

SGC's application for authority to issue \$500,000,000 of Debt Securities is subject to Pub. Util. Code §§ 817 and 701.5. Each of these sections is discussed below.

¹ See D.12-06-015 in R.11-03-007, adopting Financing Rules and General Order 24-C, also discussed in Section 4.4.1 below.

4.1.1. Pub. Util. Code § 817

Section 817 provides that a public utility may issue long-term debt only for the purposes specified in § 817. SGC requests authority to issue \$500,000,000 of Debt Securities for the following purposes: (1) pay expenses incident to the issuance and sale of the securities; (2) acquire utility property; (3) construct, complete, extend, or improve utility facilities; (4) retire or refund securities previously issued; and (5) reimburse SGC for money it has expended from its income, and from funds in its treasury that are not secured by or obtained from the issuance of debt or equity, for any of the previous purposes except maintenance of service and replacements.

We find that SGC's request to issue Debt Securities for the previously identified purposes is permitted by the following subsections of § 817:

- § 817(a) authorizes the issuance of long-term debt to acquire property. We consider capital expenditures, to the extent such expenditures are used to acquire property, to be within the ambit of § 817(a).
- § 817(b) authorizes the issuance of long-term debt to construct, complete, extend, or improve utility facilities. We consider capital expenditures to be squarely within the ambit of § 817(b).
- § 817(d) authorizes the issuance of long-term debt to discharge or lawfully refund a utility's obligations. We consider the issuance of the requested Debt Securities to retire, refund, or refinance long-term debt to be within the ambit of § 817(d).
- § 817(g) authorizes the issuance of long-term debt to retire, or in exchange for, outstanding long-term debt. We consider the use of the requested Debt Securities to refinance maturing long-term debt to be within the ambit of § 817(g).

- § 817(h) authorizes the issuance of long-term debt to reimburse a utility for money expended from its income, or from funds in the utility's treasury not secured by or obtained from the issuance of debt or equity, for any of the previous purposes except maintenance of service and replacements.

We conclude that SGC's request herein to issue new Debt Securities satisfies the requirement of § 817 and should be granted for up to \$500,000,000.

4.1.2. Pub. Util. Code § 701.5

Section 701.5 authorizes gas corporations regulated by this Commission to issue bonds or other evidence of indebtedness on behalf of a subsidiary or affiliate provided that the subsidiary or affiliate "engages in activities which support the...gas corporation in its operations or service." We find that SGC's request herein to issue Debt Securities on behalf of affiliates or securities meets the requirements of § 701.5.

4.2. Types of Debt Securities

SGC seeks authority to issue the types of Debt Securities identified in Section 3.3 of this decision. The Commission believes that public utilities should have reasonable latitude regarding the types of debt securities they may issue in order to obtain the lowest cost of capital for ratepayers. A utility's request to issue a specific type of debt security should be denied only if the requested type is unduly risky or for other good cause. This is not the case here, and therefore, the Commission will grant SGC's request to issue the types of Debt Securities described in Section 3.3 of this decision.

4.3. Debt Enhancements, Swaps, and Hedges**4.3.1. Debt Securities**

SGC requests authority to use the debt enhancements, swaps, and hedges identified in Sections 3.4 and 3.5 of this decision with respect to the Debt Securities authorized by this decision. In D.12-06-015, the Commission authorized utilities to use debt enhancements, swaps, and hedges for Debt Securities, subject to after-the-fact review by the Commission. The only requirement that a utility must satisfy in a financing application such as A.19-01-012 is to provide “a brief description and rationale for the potential use of a debt enhancement or the risk management properties associated with the potential use of a derivative instrument to hedge risk exposure.” SGC provides the required information in A.19-01-012.

The information provided by SGC meets the Commission’s requirement, and we will authorize SGC to use the types of debt enhancements, swaps, and hedges requested with respect to the Debt Securities, subject to the following conditions and restrictions set forth in D.12-06-015 for swaps and hedges:

1. SGC shall list in its General Order (GO) 24-C reports to the Commission any interest income and expense from swaps and hedges during the period covered by the report.
2. Swaps and hedges shall not exceed 35% of a SGC’s total long-term debt outstanding.
3. All costs associated with hedging transactions may be reviewed in regulatory proceedings addressing SGC’s cost of capital.
4. Hedging transactions that carry potential counterparty risk must have counterparties with investment grade credit ratings.
5. If a swap or hedge is terminated before the original maturity, all termination-related costs may be reviewed in

SGC's next regulatory proceeding addressing its cost of capital.

6. SGC shall provide the following to Commission staff within 30 days of receiving a written request: (i) all terms, conditions, and details of swap and hedge transactions; (ii) rationale(s) for the swap and hedge transactions; (iii) estimated costs for the "alternative" or unhedged transactions; and (iv) copy of the swap and hedge agreements and associated documentation.

The authority granted by this decision to use debt enhancements, swaps, and hedges is limited to the Debt Securities authorized by this decision.

4.4. Other Regulatory Requirements

4.4.1. Financing Rule and GO 24-C

The Financing Rule adopted by D.12-06-015 establishes the following regulations regarding the issuance of new Debt Securities:

- Public utilities must issue debt in a prudent manner, consistent with market standards that encompass competition and transparency, with the goal of achieving the lowest long-term cost of capital.
- Public utilities must determine the financing terms of debt issues with due regard for (i) their full financial condition and requirements, and (ii) current and anticipated market conditions.
- Public utilities may choose whether to issue Debt Securities via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital.
- Public utilities with annual operating revenues of \$25 million or more must make every effort to encourage, assist, and recruit Women-, Minority-, and Disabled Veteran-Owned Business Enterprises in being appointed as lead underwriter, book runner, or co-manager of Debt Securities offerings.

- Public utilities may use debt enhancements, swaps, and hedges for Debt Securities, subject to certain restrictions and reporting requirements, including the restrictions on swaps and hedges in identified in Section 5.3 of this decision.

The Financing Rule applies to SGC and the Debt Securities, debt enhancements, swaps, and hedges authorized by this decision.

GO 24-C requires public utilities that issue debt or equity to file a semiannual report with the Commission that includes the following information for the applicable semiannual period:

1. A description of the debt and equity issued during the semiannual period, if any, including the principal amount of each issuance, the commissions paid for each issuance, and the net proceeds received for each issuance.
2. The total amount of stock issued and outstanding at the end of the semiannual period, including the total number of shares issued and the par value, if any, of such shares.
3. The total bonds and other debt issued and outstanding at the end of the semiannual period, including the principal amount of such bonds and other debt.
4. The expenditures of debt and equity proceeds during the semiannual period and the purposes for which these expenditures were made. Expenditures must be reported in a way that allows the Commission to ascertain the utility's compliance with § 817 and the related authorizing decision.

In addition to the above-listed reporting requirements, GO 24-C requires utilities to maintain records that demonstrate that the proceeds from the issuance of debt and equity have been used in a manner authorized by § 817 and the related authorizing decision. Utilities must make the records available to Commission staff upon written request.

GO 24-C applies to SGC and the Debt Securities authorized by this decision.

4.4.2. Commission's Evergreening Authority Guidelines

Use of the Commission's Evergreening Authority was initially granted to SGC in D.94-12-018, and extended in D.00-09-009, D.05-02-049, D.07-09-007, D.10-03-022, D.15-06-051 and D.18-07-029, to refinance, refund, or replace authorized securities at maturity, upon mandatory redemption, upon repurchase for mandatory sinking fund requirements, or upon optional refinancing to reduce financing costs. SGC's current Evergreening Authority, renewed in D.18-07-029, is scheduled to expire December 31, 2022, unless renewed prior to that date. The Evergreening Authority requested by SGC applies to its long-term debt and preferred securities. SGC continues to use such Evergreening Authority in accordance with the Evergreening Authority Guidelines and solely for the purposes authorized thereunder.

5. California Environmental Quality Act (CEQA)

The CEQA applies to projects that (1) may cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and (2) require discretionary approval from a governmental agency, unless exempted by statute or regulation. A project is exempt from CEQA when it can be seen with certainty that the activity in question will not have a significant effect on the environment. The Commission is the lead agency under CEQA with respect to A.19-01-012 and, therefore, must determine if the Debt Securities and requested in A.19-01-012 are exempt from CEQA.

Today's decision does not authorize any capital expenditures, construction projects, or any other activities that might have an effect on the environment. Therefore, it can be seen with certainty that the Debt Securities authorized by this

decision will not have a significant effect on the environment. Accordingly, the authorized Debt Securities are exempt from CEQA. To ensure compliance with CEQA, SGC shall not use the proceeds from the authorized Debt Securities to fund any project until the required CEQA review and approval for the project, if any, has been completed.

6. Categorization and Need for Hearings

In Resolution ALJ 176-3433, dated February 21, 2019, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that a hearing is necessary. No protests or responses were filed to A.19-01-012 and no factual issues have been raised in this proceeding that would have necessitated a hearing. Accordingly, the categorization of this proceeding as ratesetting is affirmed and the preliminary determination that a hearing is necessary is changed to “not necessary.”

7. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission’s Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

8. Assignment of the Proceeding

Michael Picker is the assigned Commissioner. Patricia B. Miles is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. In Resolution ALJ 176-3433, dated February 21, 2019, the Commission preliminarily determined that a hearing is necessary in this proceeding.
2. There are no contested factual issues in this proceeding.

3. SGC has a reasonable need for additional authority to issue \$500,000,000 of new Debt Securities to (i) acquire property; (ii) construct, complete or extend its facilities; (iii) refund maturing debt; (iv) fund payments or redemption requirements of debt (including any premiums required in connection therewith); (v) retire (through defeasance or otherwise), refinance, or exchange existing short-and long-term debt (including any premiums required in connection therewith); and (vi) reimburse its Treasury for monies actually expended from income or from any other money in its Treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidence of indebtedness for expansion and betterment of its facilities, with the amounts so reimbursed becoming part of SGC's general Treasury funds.

4. The types of securities proposed, as described in Section 3.3., will provide SGC with the flexibility to issue Debt Securities at the lowest cost to ratepayers. No good cause exists to prohibit SGC from issuing the proposed types of securities.

5. The purpose of the debt enhancements that SGC seeks authority to use, as described in Section 3.4, and the swaps and hedges described in Section 3.5 of this decision, is to improve the price, rates, terms and/or conditions of the Debt Securities for the benefit of ratepayers, and to hedge financial risks associated with the Debt Securities for the benefit of ratepayers.

6. The Debt Securities authorized by this decision will not have a significant effect on the environment.

7. SGC has paid an advance fee of \$28,254.89 on the \$44,510,000 of the \$500,000,000 new financing authority that it seeks to have granted to it by this decision that relates to authorized expenditures in California.

Conclusions of Law

1. Pursuant to §§ 817 and 701.5, SGC should be authorized to issue up to \$500,000,000 of Debt Securities to be used only for the purposes identified in this decision.

2. The \$500,000,000 of Debt Securities authorized by this decision are for purposes allowed by §§ 817 and 701.5 and such purposes are not reasonably chargeable, in whole or in part, to operating expenses or income.

3. SGC has satisfied the requirements of D.12-06-015 for authority to use the debt enhancements, swaps, and hedges identified in Sections 3.4 and 3.5 of this decision with respect to the requested Debt Securities.

4. The Financing Rule and GO 24-C apply to SGC and the debt securities, debt enhancements, swaps, and hedges authorized by this decision.

5. SGC is required by §§ 1904(b) and 1904.1 to pay a fee of \$28,254.89 as set forth in Section 3.7 of this decision.

6. The Commission is the lead agency under CEQA for A.19-01-012.

7. The Debt Securities authorized by this decision are exempt from CEQA.

8. SGC should not use the Debt Securities authorized by this decision to finance a project until SGC has obtained any required environmental review and approval for the project under CEQA.

9. There are no factual issues in this proceeding that require an evidentiary hearing. The preliminary determination in Resolution ALJ 176-3433 that a hearing is necessary should be changed to “not necessary.”

10. In order for SGC to issue the Debt Securities authorized by the order without delay, the following order should be effective immediately as SGC has already paid its §§ 1904(b) and 1904.1 fee of \$28,254.89.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation (SGC) is authorized pursuant to Public Utilities Code Sections 817 and 701.5 to do the following:

- a. Issue, sell, and deliver one or more series of Debt Securities with an aggregate principal amount not to exceed \$500,000,000.
- b. Use the proceeds from the Debt Securities to (i) acquire property; (ii) construct, complete or extend its facilities; (iii) refund maturing debt; (iv) fund payments or redemption requirements of debt (including any premiums required in connection therewith); (v) retire (through defeasance or otherwise), refinance, or exchange existing short-and long-term debt (including any premiums required in connection therewith); and (vi) reimburse its Treasury for monies actually expended from income or from any other money in its Treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidence of indebtedness for expansion and betterment of its facilities, with the amounts so reimbursed becoming part of SGC's general Treasury funds.
- c. Issue, sell, and deliver one or more series of the following types of Debt Securities: mortgage bonds, Debt Securities secured by a pledge of SGC's accounts receivable, debentures, notes, unsecured senior Debt Securities, subordinated Debt Securities, commercial paper, other floating or variable-rate debt, credit or loan agreements, and other evidences of indebtedness. The principal amount, terms, and conditions of each issue of Debt Securities may be determined by SGC's management and/or board of directors based on market conditions at the time of issuance.
- d. Renew and/or refund commercial paper and other floating or variable-rate Debt Securities, so that the combined term

of the obligations may exceed twelve months without further authorization from the Commission.

- e. Arrange credit facilities for the purpose of issuing the Debt Securities authorized by this Order, and to modify such credit facilities without further authorization from the Commission, provided that such modifications comply with this Order.
- f. Pledge or otherwise encumber accounts receivable in connection with the issuance and sale of Debt Securities.
- g. Issue, sell, and deliver Debt Securities by public offering or private placement.
- h. Use debt enhancements with respect to the Debt Securities authorized by this Order as identified in Section 3.4 of this Decision including, but not limited to: Standby bond purchase agreements, surety bonds, insurance policies, and other credit-support arrangements; redemption provisions and call options that allow Debt Securities to be redeemed or repaid prior to maturity; put options that provide the owner of a Debt Security with the right to sell the security to SGC or an affiliate under specified terms and conditions; sinking funds; and warrants that entitle the holder to purchase another Debt Security, provided that Debt Securities issued pursuant to such warrants comply with this Order.
- i. Issue, sell, and deliver the Debt Securities authorized by this Order at any time or times, not to exceed the aggregate principal amounts authorized by this Order.
- j. Use the following financial instruments to reduce financial risks associated with the Debt Securities authorized by this Order: Interest rate caps, floors, collars, swaps, and forward-starting contracts; and Treasury locks and caps. Such financial instruments shall not be considered as separate debt for the purpose of determining the aggregate principal amount of Debt Securities issued pursuant to this Order.

2. Southwest Gas Corporation and the Debt Securities, debt enhancements, swaps, and hedges authorized by this Order are subject to (a) the Financing Rule adopted by Decision (D.) 12-06-015, as corrected in D.12-07-003; (b) General Order 24-C; and (c) the capital structure and associated capital ratios adopted by the Commission.

3. This Decision and Order does not authorize or approve any capital projects, construction expenditures, rate base, capital structure, or cost of money.

4. Southwest Gas Corporation (SGC) may not use the proceeds from the Debt Securities authorized by this Order to finance a project until SGC has obtained any required review and approval of the project under the California Environmental Quality Act.

5. The preliminary determination in Resolution ALJ 176-3433 that a hearing is needed is changed to “not necessary.”

6. The authority granted by this Decision shall become effective immediately, as SGC deposited the \$28,254.89 fee required by Section 1904, with the filing of its Application.

7. Application 19-01-012 is closed.

This order is effective today.

Dated _____, at Oxnard, California.